

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
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January 15, 2003

Mr. John Twitty, Controller
Health Management Resources
101 Grace Drive
Easley, South Carolina 29640

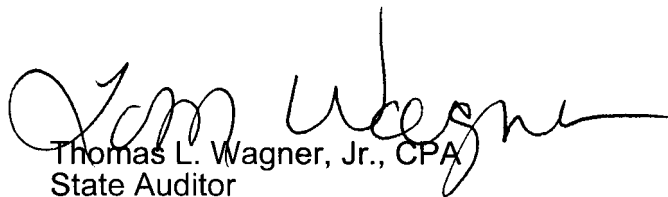
Re: AC# 3-HER-J0 – Hermina Traeye Nursing Center, Inc.

Dear Mr. Twitty:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract periods beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**HERMINA TRAEYE NURSING CENTER, INC.
JOHNS ISLAND, SOUTH CAROLINA**

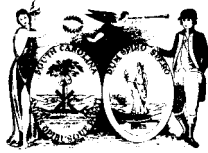
**CONTRACT PERIODS
BEGINNING OCTOBER 1, 2001
AC# 3-HER-J0**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 19, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Hermina Traeye Nursing Center, Inc., for the contract periods beginning October 1, 2001 and for the cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Hermina Traeye Nursing Center, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

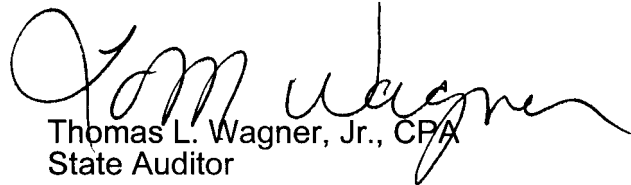
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Hermina Traeye Nursing Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Hermina Traeye Nursing Center, Inc. dated as of December 17, 1999 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 19, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

HERMINA TRAEYE NURSING CENTER, INC.

Computation of Rate Change
For the Contract Periods
Beginning October 1, 2001
AC# 3-HER-J0

10/01/01-
09/30/02

Interim Reimbursement Rate (1)	\$89.40
Adjusted Reimbursement Rate	<u>82.97</u>
Decrease in Reimbursement Rate	\$ <u><u>6.43</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

HERMINA TRAEYE NURSING CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2001 Through September 30, 2002
AC# 3-HER-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$38.42	\$49.92	
Dietary		6.29	10.74	
Laundry/Housekeeping/Maintenance		<u>9.53</u>	<u>9.23</u>	
Subtotal	\$ <u>4.89</u>	54.24	69.89	\$54.24
Administration & Medical Records	\$ <u>1.16</u>	<u>10.31</u>	<u>11.47</u>	<u>10.31</u>
Subtotal		64.55	<u>\$81.36</u>	64.55
<u>Costs Not Subject to Standards:</u>				
Utilities		1.93		1.93
Special Services		.74		.74
Medical Supplies & Oxygen		3.25		3.25
Taxes and Insurance		1.04		1.04
Legal Fees		<u>.11</u>		<u>.11</u>
TOTAL		<u>\$71.62</u>		71.62
Inflation Factor (3.80%)				2.72
Cost of Capital				6.88
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.16
Cost Incentive				4.89
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(4.30)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$82.97</u>

HERMINA TRAEYE NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
For the Contract Periods October 1, 2001 Through September 30, 2002
AC# 3-HER-J0

<u>Expenses</u>	<u>Totals (From Schedule SC 13) as Adjusted by DH&HS</u>	<u>Adjustments Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,430,858	\$ 2,965 (9) 348 (9)	\$23,476 (8) 3,502 (8)	\$1,407,193
Dietary	234,757	586 (9)	4,877 (8) 1 (10)	230,465
Laundry	82,024	-	-	82,024
Housekeeping	140,704	3,143 (9)	19,901 (8) 17 (10)	123,929
Maintenance	170,991	4,706 (9)	1,761 (4) 30,884 (8) 23 (10)	143,029
Administration & Medical Records	432,845	8,457 (9) 405 (9) 2,694 (10)	3,600 (5) 57,776 (8) 2,567 (8) 2,814 (14)	377,644
Utilities	74,633	771 (9)	4,880 (8) 25 (10)	70,499
Special Services	26,986	-	-	26,986
Medical Supplies & Oxygen	118,949	-	-	118,949
Taxes and Insurance	107,576	236 (9) 4,560 (11)	2,751 (1) 7,000 (2) 1,320 (3) 38,250 (6) 24,995 (8) 63 (10)	37,993

HERMINA TRAEYE NURSING CENTER, INC.

Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 For the Contract Periods October 1, 2001 Through September 30, 2002
 AC# 3-HER-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	10,325	1,153 (9)	7,303 (8) 8 (10)	4,167
Cost of Capital	284,919	2,290 (9) 1,018 (12)	16,239 (7) 610 (10) <u>19,392 (13)</u>	251,986
Subtotal	3,115,567	33,332	274,035	2,874,864
Ancillary	80,250	-	-	80,250
Non-Allowable	174,679	7,000 (2) 1,761 (4) 3,600 (5) 38,250 (6) 21,484 (8) 19,392 (13) <u>2,814 (14)</u>	1,947 (10) 4,560 (11) 1,018 (12)	261,455
Total Operating Expenses	<u>\$3,370,496</u>	<u>\$127,633</u>	<u>\$281,560</u>	<u>\$3,216,569</u>
Total Patient Days	<u>36,622</u>	<u>-</u>	<u>-</u>	<u>36,622</u>
Total Beds	<u>132</u>			

HERMINA TRAEYE NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-HER-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Prepaid Taxes and Licenses Taxes and Insurance To remove expenses applicable to the subsequent period HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D	\$ 2,751	\$ 2,751
2	Nonallowable Taxes and Insurance To remove invoice expensed twice HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D	7,000	7,000
3	Prepaid Taxes and Licenses Taxes and Insurance To remove expenses applicable to the subsequent period HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D	1,320	1,320
4	Nonallowable Maintenance To remove invoice expensed twice HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D	1,761	1,761
5	Nonallowable Administration To reclassify expense to the proper cost center HIM-15-1, Section 2300 State Plan, Attachment 4.19D	3,600	3,600
6	Nonallowable Taxes and Insurance To adjust property taxes HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D	38,250	38,250

HERMINA TRAEYE NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-HER-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Other Equity	247,171	
	Accumulated Depreciation	560,504	
	Fixed Assets		791,436
	Cost of Capital		16,239
	To adjust fixed assets and related depreciation State Plan, Attachment 4.19D		
8	Start Up Cost	158,677	
	Nonallowable	21,484	
	Nursing		23,476
	Restorative		3,502
	Dietary		4,877
	Housekeeping		19,901
	Maintenance		30,884
	Administration		57,776
	Medical Records		2,567
	Legal		7,303
	Utilities		4,880
	Taxes and Insurance		24,995
	To record start up cost HIM-15-1, Section 2132 State Plan, Attachment 4.19D		
9	Nursing	2,965	
	Restorative	348	
	Dietary	586	
	Housekeeping	3,143	
	Maintenance	4,706	
	Administration	8,457	
	Medical Records	405	
	Legal	1,153	
	Utilities	771	
	Taxes and Insurance	236	
	Cost of Capital	2,290	
	Start Up Cost		25,060
	To record start up cost amortization HIM-15-1, Section 2132 State Plan, Attachment 4.19D		

HERMINA TRAEYE NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-HER-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Administration	2,694	
	Maintenance		23
	Nonallowable		1,947
	Legal		8
	Utilities		25
	Taxes and Insurance		63
	Dietary		1
	Housekeeping		17
	Cost of Capital		610
	To adjust home office cost allocation State Plan, Attachment 4.19D		
11	Taxes and Insurance	4,560	
	Nonallowable		4,560
	To adjust insurance HIM-15-1, Sections 2304 and 2132 State Plan, Attachment 4.19D		
12	Cost of Capital	1,018	
	Nonallowable		1,018
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
13	Nonallowable	19,392	
	Cost of Capital		19,392
	To adjust capital return State Plan, Attachment 4.19D		

HERMINA TRAEYE NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-HER-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Nonallowable Adminstration	2,814	2,814
	To remove amount expensed twice HIM-15-1, Section 2300 State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$1,098,056</u>	<u>\$1,098,056</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

HERMINA TRAEYE NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-HER-J0

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3848</u>	<u>2.3848</u>	
Deemed Asset Value (Per Bed)	37,246	37,246	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,277,648	1,638,824	
Improvements Since 1981	172,578	26,688	
Accumulated Depreciation at 9/30/00	<u>(1,158,320)</u>	<u>(199,487)</u>	
Deemed Depreciated Value	2,291,906	1,466,025	
Market Rate of Return	<u>.058</u>	<u>.058</u>	
Total Annual Return	132,931	85,029	
Number of Days in Period	289/366	289/366	
Adjusted Annual Return	104,965	67,140	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	104,965	67,140	
Depreciation Expense	46,549	31,109	
Amortization Expense	1,527	763	
Capital Related Income Offsets	(45)	(22)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	152,996	98,990	\$251,986
Total Patient Days (Minimum 96% Occupancy)	<u>24,415</u>	<u>12,207</u>	<u>36,622</u>
Cost of Capital Per Diem	\$ <u>6.27</u>	\$ <u>8.11</u>	\$ <u>6.88</u>

HERMINA TRAEYE NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-HER-J0

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$5.65	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>9.64</u>	\$ <u>8.11</u>
Reimbursable Cost of Capital Per Diem		\$6.88
Cost of Capital Per Diem		<u>6.88</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

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